

**Mills Township
Ogemaw County, Michigan
Financial Report
With Supplemental Information
June 30, 2004**

Mills Township
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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MILLS TOWNSHIP		County OGE MAW
Audit Date 6/30/04	Opinion Date 12/30/04	Date Accountant Report Submitted to State: 1/12/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Form for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER, CPAs, LLP			
Street Address 103 E MAIN STREET, PO BOX 69		City ROSE CITY	State MI
Accountant Signature <i>Robertson & Carpenter, CPAs, LLP</i>		ZIP 48654	
		Date 1/12/05	



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INDEPENDENT AUDITOR'S REPORT

Township Board
Mills Township
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mills Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of June 30, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2004 on our consideration of Mills Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 27 through and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills Township's basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes analysis and are not a required part of the basic financial statements. Such information has been of additional subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robertson & Carpenter, LLP
Certified Public Accountants
December 30, 2004

Management's Discussion and Analysis

As management of Mills Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of Mills Township exceeded its liabilities at the close of the most recent fiscal year by \$1,493,684 (*net assets*). Unrestricted net assets for the governmental activities were \$142,760. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$ 569,299, a decrease of \$ 231,546 in comparison with the prior year. Approximately 25% of the total amount, \$141,724, is available for spending at the township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$131,194 or 43% percent of total general fund expenditures.
- The Township's total debt decreased by \$9,000 (6 percent) during the current fiscal year, due to required annual principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mills Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund, Fire Equipment Fund, Police Fund, and Garbage Fund. Data from the other three non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Mills Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Road Fund, Fire Fund, Fire Equipment Fund, Police Fund and Garbage Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 27 through 32 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 33-34 of this report.

Government-wide Financial Analysis

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,493,684 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$917,148, or 61%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$433,776, or 29%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$142,760, or 10%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in both categories of net assets, the government as a whole, as well as for its separate governmental activities.

Township's Net Assets

	Governmental Activities
Current and Other Assets	\$ 658,325
Noncurrent assets:	
Capital Assets, Net	<u>1,051,648</u>
Total Assets	<u>1,709,973</u>
Current Liabilities	81,789
Long-term Liabilities Outstanding	<u>134,500</u>
Total Liabilities	<u>216,289</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	917,148
Restricted	433,776
Unrestricted	<u>142,760</u>
Total Net Assets	1,493,684

The Township's net assets decreased by \$140,454 during the current fiscal year discussed below.

Township's Changes in Net Assets

	Governmental Activities
Revenue:	
Program Revenue:	
Charges for services	\$232,936
Capital Grants	-
General Revenue:	
Property Taxes	340,335
State-Shared Revenues	314,140
Interest and Rent Earnings	26,788
Other	43,735
Total Revenue	957,934
Expenses:	
General Government	253,382
Public Safety	295,154
Public Works	329,024
Health and Welfare	8,514
Community Development	42,189
Recreation and Culture	163,384
Interest on Long-Term Debt	6,741
Total Expenses	1,098,388
Increase (Decrease) in Net Assets	(140,454)
Net Assets, Beginning of Year	1,634,138
Net Assets, End of Year	1,493,684

Governmental activities. Governmental activities decreased the Township's net assets by \$140,454, accounting for all of the change in net assets of the Township. This was primarily attributed to depreciation on township assets and expenditures for gypsy moth suppression.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$569,299, a decrease of \$231,546 in comparison with the prior year. Approximately 25% of this total amount (\$141,724) constitutes *unreserved fund balance* in the General Fund, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are reserved for Metro Act expenditures or are included in special revenue funds and are not available for current expenditure. The portion of unreserved fund balance that has been designated by the Township Board for capital asset acquisition is \$10,530.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$141,724 and \$146,618, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 25% and 26%, respectively, of total general fund expenditures.

The fund balance decreased this fiscal year by \$90,529 in the General Fund.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The township budgets were not amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$1,051,648 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions for the fiscal year totaled \$185,444.

Township's Capital Assets (net of depreciation)

	Governmental Activities
Land	\$232,135
Land improvements	66,694
Buildings and improvements	164,454
Furniture and Equipment	588,365
Total	<u>\$1,051,648</u>

Additional information on the Township's capital assets can be found in note 5 on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the Township had an installment purchase agreement outstanding of \$134,500. The installment purchase agreement was used for a portion of the cost of a fire truck purchased for use by the township fire department.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2003-2004, the Township received \$309,246 in state shared revenue, representing 67% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mills Township
Supervisor's Office
2441 Greenwood Road
Prescott, Michigan 48756

Mills Township
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 589,234
Receivables	20,156
Due from governmental units (Note 4)	48,935
Capital assets-net	<u>1,051,648</u>
Total assets	<u>1,709,973</u>
 Liabilities	
Accounts payable	78,921
Accrued and other liabilities	2,868
Noncurrent liabilities (Note 7):	
Due within one year	9,000
Due in more than one year	<u>125,500</u>
Total liabilities	<u>216,289</u>
 Net Assets	
Invested in capital assets, net of related debt	917,148
Restricted:	
Metro Act	4,894
Private Roads	23,723
Fire	146,926
Fire Equipment	120,263
Garbage service	114,388
Gypsy Moth Suppression	23,582
Unrestricted	<u>142,760</u>
Total net assets	<u>\$ 1,493,684</u>

See accompanying notes to financial statements.

Mills Township
Statement of Activities
Year ended June 30, 2004

Program Revenues

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Primary government:				
Governmental Activities:				
General government	\$ 253,382	\$ 4,957	\$ -	\$ -
Public safety	295,154	1,025	-	-
Public works	329,024	226,954	-	-
Health and welfare	8,514	-	-	-
Community development	42,189	-	-	-
Recreation and culture	163,384	-	-	-
Interest on long term debt	6,741	-	-	-
Total governmental activities	1,098,388	232,936	-	-

General Revenues:

Property taxes

State-shared revenues

Interest and investment earnings

Other

Total general revenues

Change in Net Assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes
in Net Assets

Changes in
Net Assets
Governmental
Activities

\$	(248,425)
	(294,129)
	(102,070)
	(8,514)
	(42,189)
	(163,384)
	<u>(6,741)</u>
	(865,452)
	340,335
	314,140
	26,788
	<u>43,735</u>
	724,998
	(140,454)
	<u>1,634,138</u>
\$	<u><u>1,493,684</u></u>

Mills Township
Governmental Funds
Balance Sheet
June 30, 2004

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund
Assets				
Cash and investments	\$ 111,732	\$ 14,970	\$ 144,276	\$ 126,560
Accounts receivable	3,904	8,753	-	-
Due from other funds	25,196	-	6,985	181
Due from other governmental units	48,935	-	-	-
Total assets	<u>\$ 189,767</u>	<u>\$ 23,723</u>	<u>\$ 151,261</u>	<u>\$ 126,741</u>
Liabilities				
Accounts payable	\$ 39,245	-	\$ 4,335	\$ -
Due to other funds	-	-	-	6,478
Deferred revenue	3,904	6,201	-	-
Total liabilities	<u>43,149</u>	<u>6,201</u>	<u>4,335</u>	<u>6,478</u>
Fund balances				
Reserved for:				
Metro Act funds	4,894	-	-	-
Unreserved:				
General Fund	131,194	-	-	-
Special Revenue Funds	-	17,522	146,926	120,263
Designated (Note 13)	10,530	-	-	-
Total fund balances	<u>146,618</u>	<u>17,522</u>	<u>146,926</u>	<u>120,263</u>
Total liabilities and fund balances	<u>\$ 189,767</u>	<u>\$ 23,723</u>	<u>\$ 151,261</u>	<u>\$ 126,741</u>

Fund Balances - Total Governmental Funds

Elimination of due to and due from governmental funds

 Due to

 Due from

Amounts reported for governmental activities in the statement of net assets
are different because:

 Capital assets used in governmental activities are not financial resources, and are not
 reported in the funds.

 Cost of capital assets

 Accumulated depreciation

 Special assessment receivables are expected to be collected over several years and are not
 available to pay for current year expenditures

 Accounts receivable are expected to be collected over several years and are not available
 to pay for current year expenditures

 Long term liabilities are not due and payable in the current period and are not reported in the
 fund

 Installment purchase agreement

 Compensated absences

 Accrued interest is not included as a liability in governmental funds

Net Assets of Governmental Activities

See accompanying notes to financial statements.

Police Fund	Garbage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 54,370	\$ 113,744	\$ 23,582	\$ 589,234
-	-	-	12,657
676	644	-	33,682
-	-	-	48,935
<u>\$ 55,046</u>	<u>\$ 114,388</u>	<u>\$ 23,582</u>	<u>\$ 684,508</u>
\$ 35,341	\$ -	\$ -	\$ 78,921
19,705	-	-	26,183
-	-	-	10,105
<u>55,046</u>	<u>-</u>	<u>-</u>	<u>115,209</u>
-	-	-	4,894
-	-	-	131,194
-	114,388	23,582	422,681
-	-	-	10,530
<u>-</u>	<u>114,388</u>	<u>23,582</u>	<u>569,299</u>
<u>\$ 55,046</u>	<u>\$ 114,388</u>	<u>\$ 23,582</u>	<u>\$ 684,508</u>
			569,299
			31,222
			(31,222)
			1,838,183
			(786,535)
			6,201
			3,904
			(134,500)
			(1,748)
			(1,120)
			<u>\$ 1,493,684</u>

Mills Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2004

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund
Revenues				
Taxes and penalties	\$ 68,617	\$ -	\$ 100,965	\$ 36,129
Licenses and permits	4,767	-	-	-
State-shared revenues	314,140	-	-	-
Charges for services	11,155	-	1,025	-
Fines and forfeits	50	-	1,465	-
Special assessments	-	20,339	-	-
Interest and rentals	18,461	821	2,602	2,121
Other	37,453	-	-	-
Total revenues	<u>454,643</u>	<u>21,160</u>	<u>106,057</u>	<u>38,250</u>
Expenditures				
Current:				
General government	230,258	-	-	-
Public safety	-	-	103,452	-
Public works	56,733	22,834	-	-
Health and welfare	8,514	-	-	-
Community development	-	-	-	-
Recreation and culture	147,769	-	-	-
Capital outlay	122,194	-	40,463	22,787
Debt service:				
Principal retirement	-	-	-	9,000
Interest and fiscal charges	-	-	-	6,816
Total expenditures	<u>565,468</u>	<u>22,834</u>	<u>143,915</u>	<u>38,603</u>
Excess of Revenues Over (Under)				
Expenditures	(110,825)	(1,674)	(37,858)	(353)
Other Financing Sources (Uses)				
Transfers in	20,385	-	-	-
Transfers (out)	(89)	-	-	-
Total other financing uses	<u>20,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	(90,529)	(1,674)	(37,858)	(353)
Fund balances - Beginning of year	<u>237,147</u>	<u>19,196</u>	<u>184,784</u>	<u>120,616</u>
Fund balances - End of year	<u>\$ 146,618</u>	<u>\$ 17,522</u>	<u>\$ 146,926</u>	<u>\$ 120,263</u>

See accompanying notes to financial statements.

	Police Fund	Garbage Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$	134,594	\$ -	\$ 30	\$ 340,335
	-	-	-	4,767
	-	-	-	314,140
	-	-	-	12,180
	-	-	-	1,515
	-	208,593	-	228,932
	507	1,301	975	26,788
	-	-	-	37,453
	<u>135,101</u>	<u>209,894</u>	<u>1,005</u>	<u>966,110</u>
	-	-	-	230,258
	135,190	-	-	238,642
	-	218,558	30,899	329,024
	-	-	-	8,514
	-	-	42,189	42,189
	-	-	-	147,769
	-	-	-	185,444
	-	-	-	9,000
	-	-	-	6,816
	<u>135,190</u>	<u>218,558</u>	<u>73,088</u>	<u>1,197,656</u>
	(89)	(8,664)	(72,083)	(231,546)
	89	-	-	20,474
	-	-	(20,385)	(20,474)
	<u>89</u>	<u>-</u>	<u>(20,385)</u>	<u>-</u>
	-	(8,664)	(92,468)	(231,546)
	-	123,052	116,050	800,845
\$	<u><u>0</u></u>	<u><u>114,388</u></u>	\$ <u><u>23,582</u></u>	\$ <u><u>569,299</u></u>

Mills Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	(231,546)
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(93,758)	
Capital Outlay		<u>185,444</u>	91,686

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(9,116)
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Revenues from the sale of Cemetery lots are recorded in the statement of activities when the cemetery lot is sold; they not reported in the funds until collected or collectible within 60 days of year end		940
--	--	-----

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid		75
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Repayments of installment purchase agreement principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		9,000
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Accumulated employee sick and vacation pay is recorded when earned in the statement of activities		<u>(1,493)</u>
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Change in Net Assets of Governmental Activities	\$	<u>(140,454)</u>
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See accompanying notes to financial statements.

Mills Township
Fiduciary Funds
Statement of Net Assets
June 30, 2004

	Trust Fund- Pension Fund	Agency Funds
Assets		
Cash	\$ -	\$ 12,528
Investments - as fair value	<u>25,967</u>	<u>-</u>
Total assets	25,967	<u><u>\$ 12,528</u></u>
Liabilities		
Accounts payable	-	\$ 558
Due to other funds	-	7,499
Due to other governments	<u>-</u>	<u>4,471</u>
Total liabilities	<u>-</u>	<u><u>\$ 12,528</u></u>
Net Assets - Held in Trust for Pension Benefits	<u><u>\$ 25,967</u></u>	

See accompanying notes to financial statements.

Mills Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2004

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 299
Investment earnings	<u>1,177</u>
Total Additions	1,476
 Deductions	
Administrative expenses	<u>126</u>
Total deductions	126
 Net increase	1,350
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>24,617</u>
End of the year	<u><u>\$ 25,967</u></u>

See accompanying notes to financial statements.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mills Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Road Fund is used to record special assessments revenues and interest earnings restricted for private road maintenance costs.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

The Fire Equipment Fund is used to record property tax revenue, interest earnings and other revenue restricted for the purchase of fire equipment protection purposes.

The Police Fund is used to record property tax revenue, interest earnings and other revenue restricted for police protection purposes.

The Garbage Fund is used to record special assessment revenue and interest earnings restricted for garbage collection purposes.

Additionally, the Township reports the following funds :

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds include the Tax Collection Fund used to accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law and the Trust and Agency Fund used to account for payroll liabilities withheld and remitted.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies(Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2003 taxable value of the Township was \$77,588,286. The 2003 tax levy was .8652 mills for general operating purposes, .4647 mills for the Fire Equipment Fund, 1.2980 mills for the Fire Fund, and 1.7304 mills for the Police Fund. The millage levied raised tax revenue of \$67,055 in the General Fund, \$100,609 in the Fire Fund, \$36,002 in the Fire Equipment Fund and \$134,139 in the Police Fund. These amounts are recorded as tax revenue.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$ 750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies(Continued)

Compensated Absences - The Township allows full-time employees to accumulate earned but unused vacation and sick pay benefits. The government-wide statements accrue all vacation pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34)*. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$1,744,852 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at July 1, 2003 previously reported in the General Fixed Asset Account Group have been adjusted by \$92,114 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity center. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. During the year, the budgets were not amended.

The Township has an accumulated fund balance deficit in the Road Fund #4. The deficit was a result of upgrade costs paid during the year that will be reimbursed through special assessments levies payable over a five-year period.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General - Public works	\$ 25,000	\$ 56,733	\$ 31,733
General-Health and welfare	2,600	8,514	5,914
Road-Public works	13,800	22,834	9,034
Fire-Capital outlay	5,000	40,463	35,463
Fire Equipment-Debt service	15,500	15,816	316
Gypsy Moth-Public works	-	30,899	30,899
CDBG-Community Development	-	42,189	42,189

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 3 - Deposits and Investments (Continued)

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in banks and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority .

At year-end the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 589,234	\$ 12,528	\$ 601,762
Investments	-	25,967	25,967
Total	\$ 589,234	\$ 38,495	\$ 627,729

The breakdown between deposits and investments for the Township is as follows:

Petty cash	\$ 50
Deposits (checking, savings and certificates of deposit)	601,712
Investments	25,967
	\$ 627,729

The bank balance of the Township's deposits is \$ 604,813, of which \$ 387,516 is covered by federal depository insurance.

The only investment of the Township at June 30, 2004 is \$ 25,967 in the Pension plan invested with Manulife Financial. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, the pension investments do not allow for risk categorization. The Township believes that investments in these funds comply with the investment authority noted above.

Note 4 - Receivables

The following is the detail of the receivables of the governmental activities due from other governmental units at June 30, 2004:

	General Fund	Other Major and Non- Major Funds	Total
State of Michigan	\$ 48,935	\$ -	\$ 48,935
Less: Allowance for Uncollectibles	-	-	-
Total receivables	\$ 48,935	\$ 0	\$ 48,935

Mills Township
Notes to Financial Statements
June 30, 2004

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Private road special assessments	\$ 6,201	\$ -
Cemetery lot sales	3,904	-
Totals	\$ <u>10,105</u>	\$ <u>-</u>
Total deferred revenue		\$ <u>10,105</u>

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities were as follows:

Governmental Activities

<u>Assets</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated - Land	\$ 232,135	\$ -	\$ -	\$ 232,135
Capital assets being depreciated:				
Land improvements	75,828			75,828
Buildings	233,657	-	-	233,657
Furniture and equipment	1,111,118	185,444	-	1,296,562
Subtotal	<u>1,652,738</u>	<u>185,444</u>	<u>-</u>	<u>1,838,182</u>
<u>Accumulated Depreciation</u>				
Land improvements	5,343	3,791	-	9,134
Buildings	63,867	5,336	-	69,203
Furniture and equipment	623,566	84,631	-	708,197
Subtotal	<u>692,776</u>	<u>93,758</u>	<u>-</u>	<u>786,534</u>
Net capital assets being depreciated	<u>959,962</u>	<u>91,686</u>	<u>-</u>	<u>1,051,648</u>
Net capital assets	\$ <u>959,962</u>	\$ <u>91,686</u>	\$ <u>0</u>	\$ <u>1,051,648</u>

Mills Township
Notes to Financial Statements
June 30, 2004

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government		\$ 21,631
Public safety		56,512
Recreation		15,615
Total governmental activities		<u>\$ 93,758</u>

Note 6 - Receivables, payables and transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 25,196	General Fund	\$	-
Fire Fund	6,985	Fire Fund	-	-
Fire Equipment Fund	181	Fire Equipment Fund	6,478	6,478
Police Fund	676	Police Fund	19,705	19,705
Garbage Fund	644	Garbage Fund	-	-
Fiduciary Funds	-	Fiduciary Funds	7,499	7,499
Total	<u>\$ 33,682</u>	Total	<u>\$ 33,682</u>	<u>33,682</u>
 <u>Transfer In</u>		 <u>Transfer Out</u>		
Police Fund	<u>\$ 89</u>	General Fund	<u>\$ 89</u>	<u>89</u>

Mills Township
Notes to Financial Statements
June 30, 2004

Note 7 - Long-term Debt

The following is a summary of the installment purchase agreements outstanding as of June 30, 2004:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Purchase Agreement- Assigned to Department of Agriculture-U.S.A.	2015	4.75%	\$ 143,500	\$ (9,000)	\$ 134,500	\$ 9,000
Total long-term debt			<u>\$ 143,500</u>	<u>\$ (9,000)</u>	<u>\$ 134,500</u>	<u>\$ 9,000</u>

Installment Purchase Agreement

Installment purchase agreement assigned to US Department of Agriculture in the amount of \$ 166,500 to finance purchase of fire truck from Kovatch Mobile Equipment Corp. Annual payment due April 27 with interest at 4.75%.

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 9,000	\$ 6,389	\$ 15,389
2006	10,000	5,961	15,961
2007	10,000	5,486	15,486
2008	12,000	5,011	17,011
2009	12,000	4,441	16,441
2010	13,000	3,871	16,871
2011	13,000	3,254	16,254
2012	13,000	2,636	15,636
2013	14,000	2,019	16,019
2014	14,000	1,354	15,354
2015	14,500	689	15,189
Total	<u>\$ 134,500</u>	<u>\$ 41,111</u>	<u>\$ 175,611</u>

Mills Township
Notes to Financial Statements
June 30, 2004

Note 8 - Risk Management

Mills Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 9 - Pension Plan

Mills Township contributes to the Mills Township Group Pension Plan, which is a defined contribution pension plan with the Manulife Financial.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of employee and Township contributions, as well as earnings in the account.

The contract requires contributions based on annual salary. No employee contributions are required. The Township is required to contribute 7.3 % of compensation plus the administration fee of \$185. Covered wages for the fiscal year were \$15,818. Total wages for the fiscal year were \$220,762. The contribution was as follows:

Employer	\$	998
Administration fee		91
	\$	<u>1,089</u>

Manulife Financial held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Note 10 - Other Postemployment Benefits

In addition to the pension benefits described in Note 9, the Township provides post-retirement health benefits to all full time employees eligible for health care benefits prior to December 12, 2003. During the fiscal year ended June 30, 2004, two retirees were eligible for postemployment health benefits. The Township pays the cost of health insurance for retirees, with no contribution recognized by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums come due. During the year, the post-retirement health insurance costs were \$ 10,138.

Mills Township
Notes to Financial Statements
June 30, 2004

Note 11 - Road Fund

The Township contracts for maintenance of thirteen private roads with the Ogemaw County Road Commission. The costs incurred are reimbursed through special assessments.

The Township is periodically required to pay for grading and graveling costs to upgrade the private roads before renewing their maintenance contract with the Ogemaw County Road Commission. The assessments against benefited properties for upgrade costs are payable over a five-year period.

Note 12 - Commitments

Sanitation Service - The Township levied a special assessment of \$ 63.42 per dwelling on the 2003 tax roll for residential trash collection. The Township has contracted with Waste Management, Inc. to provide the weekly trash collection service. The Township is billed monthly by the contractor for this service.

Police Protection - The Township has contracted with the Ogemaw County Sheriff Department for two full-time police officers to provide law enforcement for the Township, as well as additional part-time summer help. The cost per quarter for the full-time officers was \$ 33,282.

Note 13 - Designated Fund Balance

The Township Board has designated \$ 10,530 in the General Fund for capital asset acquisitions in future periods.

Required Supplemental Information

Mills Township
Budgetary Comparison Schedule - General Fund
Year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Amended Budget
	2004 Original Budget	2004 Amended Budget		
Fund Balance - Beginning of year	\$ 366,075	\$ 366,075	\$ 237,147	\$ (128,928)
Resources (Inflows)				
Taxes and fees	62,000	62,000	68,617	6,617
Licenses and permits	5,000	5,000	4,767	(233)
State-shared revenues	314,000	314,000	314,140	140
Charges for services	15,900	15,900	11,155	(4,745)
Fines and forfeits	25	25	50	25
Interest and rentals	14,000	14,000	18,461	4,461
Other	3,000	3,000	37,453	34,453
Transfers from other funds	-	-	20,385	20,385
Amounts available for appropriation	<u>413,925</u>	<u>413,925</u>	<u>475,028</u>	<u>61,103</u>
Charges to Appropriations (Outflows)				
General government	246,600	246,600	230,258	16,342
Public safety	-	-	-	-
Public works	25,000	25,000	56,733	(31,733)
Health and welfare	2,600	2,600	8,514	(5,914)
Recreation and culture	150,000	150,000	147,769	2,231
Capital outlay	125,000	125,000	122,194	2,806
Operating transfers out	3,500	3,500	89	3,411
Total charges to appropriations	<u>552,700</u>	<u>552,700</u>	<u>565,557</u>	<u>(12,857)</u>
Fund Balance - end of year	<u>\$ 227,300</u>	<u>\$ 227,300</u>	<u>\$ 146,618</u>	<u>\$ (80,682)</u>

Mills Township
Budgetary Comparison Schedule - Road Fund
Year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Amended Budget
	2004 Original Budget	2004 Amended Budget		
Fund Balance - Beginning of year	\$ 37,241	\$ 37,241	\$ 19,196	\$ (18,045)
Resources (Inflows)				
Taxes and fees	-	-	-	-
Licenses and permits	-	-	-	-
State-shared revenues	-	-	-	-
Special assessments	29,626	29,626	20,339	(9,287)
Interest and rentals	-	-	821	821
Amounts available for appropriation	<u>29,626</u>	<u>29,626</u>	<u>21,160</u>	<u>(8,466)</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	13,800	13,800	22,834	(9,034)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>13,800</u>	<u>13,800</u>	<u>22,834</u>	<u>(9,034)</u>
Fund Balance - end of year	<u>\$ 53,067</u>	<u>\$ 53,067</u>	<u>\$ 17,522</u>	<u>\$ (35,545)</u>

Mills Township
 Budgetary Comparison Schedule - Fire Fund
 Year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Amended Budget</u>
	<u>2004 Original Budget</u>	<u>2004 Amended Budget</u>		
Fund Balance - Beginning of year	\$ 195,311	\$ 195,311	\$ 184,784	\$ (10,527)
Resources (Inflows)				
Taxes and fees	94,000	94,000	100,965	6,965
Charges for services	-	-	1,025	1,025
Fines and forfeits	-	-	1,465	1,465
Interest and rentals	3,000	3,000	2,602	(398)
Other	800	800	-	(800)
Amounts available for appropriation	<u>97,800</u>	<u>97,800</u>	<u>106,057</u>	<u>8,257</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	121,500	121,500	103,452	18,048
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	5,000	5,000	40,463	(35,463)
Debt service	-	-	-	-
Total charges to appropriations	<u>126,500</u>	<u>126,500</u>	<u>143,915</u>	<u>(17,415)</u>
Fund Balance - end of year	<u>\$ 166,611</u>	<u>\$ 166,611</u>	<u>\$ 146,926</u>	<u>\$ (19,685)</u>

Mills Township
 Budgetary Comparison Schedule - Fire Equipment Fund
 Year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Amended Budget
	2004 Original Budget	2004 Amended Budget		
Fund Balance - Beginning of year	\$ 1,266	\$ 126,609	\$ 120,616	\$ (5,993)
Resources (Inflows)				
Taxes and fees	43,000	43,000	36,129	(6,871)
Interest and rentals	2,000	2,000	2,121	121
Other	-	-	-	-
Amounts available for appropriation	<u>45,000</u>	<u>45,000</u>	<u>38,250</u>	<u>(6,750)</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	75,000	75,000	22,787	52,213
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	15,500	15,500	15,816	(316)
Total charges to appropriations	<u>90,500</u>	<u>90,500</u>	<u>38,603</u>	<u>51,897</u>
Fund Balance - end of year	<u>\$ (44,234)</u>	<u>\$ 81,109</u>	<u>\$ 120,263</u>	<u>\$ 39,154</u>

Mills Township
Budgetary Comparison Schedule - Police Fund
Year ended June 30, 2004

	Budgeted Amounts			Variance with
	2004	2004		Amended
	Original	Amended	Actual	Budget
	Budget	Budget		
Fund Balance - Beginning of year	\$ 7,217	\$ 7,217	\$ -	\$ (7,217)
Resources (Inflows)				
Taxes and fees	130,000	130,000	134,594	4,594
Interest and rentals	700	700	507	(193)
Other	-	-	-	-
Transfers from other funds	43,083	43,083	89	(42,994)
Amounts available for appropriation	<u>173,783</u>	<u>173,783</u>	<u>135,190</u>	<u>(38,593)</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	181,000	181,000	135,190	45,810
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>181,000</u>	<u>181,000</u>	<u>135,190</u>	<u>45,810</u>
Fund Balance - end of year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

Mills Township
Budgetary Comparison Schedule - Garbage Fund
Year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Amended Budget
	2004 Original Budget	2004 Amended Budget		
Fund Balance - Beginning of year	\$ 139,423	\$ 139,423	\$ 123,052	\$ (16,371)
Resources (Inflows)				
Taxes and fees	-	-	-	-
Special assessments	207,000	207,000	208,593	1,593
Interest and rentals	2,500	2,500	1,301	(1,199)
Other	-	-	-	-
Amounts available for appropriation	<u>209,500</u>	<u>209,500</u>	<u>209,894</u>	<u>394</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	210,000	210,000	218,558	(8,558)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	-	-	-	-
Total charges to appropriations	<u>210,000</u>	<u>210,000</u>	<u>218,558</u>	<u>(8,558)</u>
Fund Balance - end of year	<u>\$ 138,923</u>	<u>\$ 138,923</u>	<u>\$ 114,388</u>	<u>\$ (24,535)</u>

Other Supplemental Information

Mills Township
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2004

	Special Revenue Funds		
	Gypsy Moth	CDBG	Total Special Revenue
Assets			
Cash and investments	\$ 23,582	\$ -	\$ 23,582
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 23,582</u>	<u>\$ 0</u>	<u>\$ 23,582</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved	<u>23,582</u>	<u>-</u>	<u>23,582</u>
Total fund balance	<u>23,582</u>	<u>-</u>	<u>23,582</u>
Total liabilities and fund balances	<u>\$ 23,582</u>	<u>\$ 0</u>	<u>\$ 23,582</u>

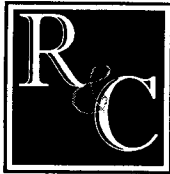
Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds	
South Ogemaw #2			
\$	-	\$	23,582
	-		-
	-		-
	0	\$	23,582
\$	-	\$	-
	-		-
	-		-
	-		-
	-		-
	-		23,582
	-		23,582
\$	0	\$	23,582

Mills Township
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year ended June 30, 2004

	Special Revenue Funds		
	Gypsy Moth	CDBG	Total Special Revenue
Revenue			
Taxes and fees	\$ 30	\$ -	\$ 30
Special assessments	-	-	-
Charges for services	-	-	-
Interest and rentals	953	-	953
Other	-	-	-
Total revenue	983	-	983
Expenditures			
General government	-	-	-
Public works	30,899	-	30,899
Community development	-	42,189	42,189
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	30,899	42,189	73,088
Excess of Revenue Over (Under) Expenditures	(29,916)	(42,189)	(72,105)
Other Financing Sources (Uses)			
Transfers in (out)	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balances	(29,916)	(42,189)	(72,105)
Fund Balances - Beginning of year	53,498	42,189	95,687
Fund Balances - End of year	\$ 23,582	\$ 0	\$ 23,582

Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds	
South Ogemaw #2			
\$	-	\$	30
	-		-
	-		-
	22		975
	-		-
	22		1,005
	-		-
	-		30,899
	-		42,189
	-		-
	-		-
	-		-
	-		73,088
	22		(72,083)
	(20,385)		(20,385)
	(20,385)		(20,385)
	(20,363)		(92,468)
	20,363		116,050
\$	<u>0</u>	\$	<u>23,582</u>

APPENDICES



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board
Mills Township
Mills County, Michigan

We have audited the financial statements of Mills Township as of and for the year ended June 30, 2004, and have issued our report thereon dated December 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson + Carpenter, CPAs, LLP

Rose City, Michigan

December 30, 2004